

MEMO

DATE: August 5, 2004

TO: Community, Economic and Human Development Committee

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SUBJECT: 2003 Venture Capital Investment in the SCAG Region (Information Only)

RECOMMENDED ACTION: Information only.

BACKGROUND:

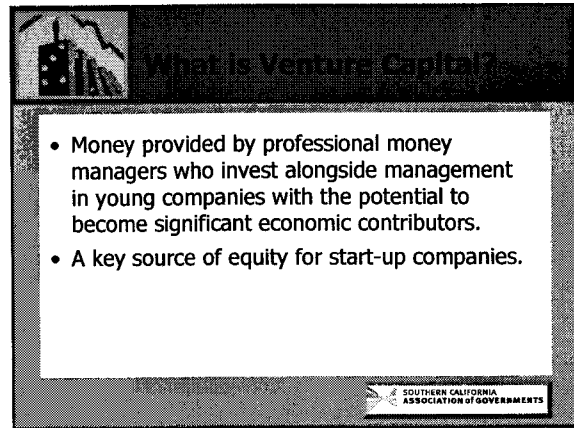
In 2003, the latest full year for which regional figures are available, Venture Capital (VC) investment in the SCAG region fell to \$992 million, down from \$1.2 billion in 2002. The 2003 total was the third straight decline for the region since the peak level of \$6.4 billion raised in 2000.

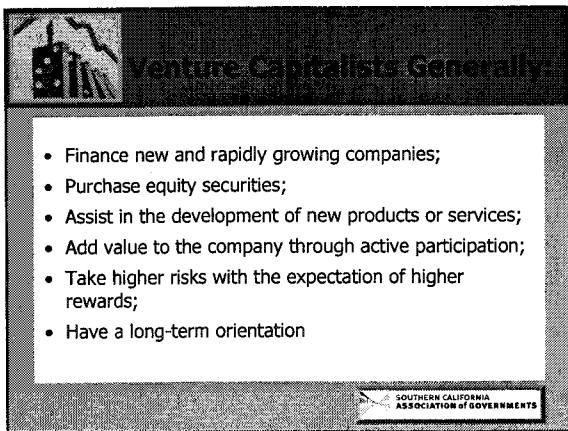
This pattern is not unique among regions across the county. Venture capitalists reduce their investment in smaller and newer firms when the economy goes into decline as it did in the 2000-2002 period. Nevertheless, the level of VC investment in a region is important to its economy. Such investment boosts Gross Regional Product and creates jobs; it supports all forms of innovation and research and development activities; and it stimulates local capital market activity.


For the past three years, staff has presented to the CEHD a picture of venture capital investments in the SCAG region. Today's presentation will look at recent trends in VC investment in the region and the nation, discuss the factors behind the 2000-2003 decline, examine which types of businesses in which areas of the region are attracting venture capital, and highlight the importance of venture capital in the economic outlook.

The PowerPoint presentation is available to any interested party.











Investment in the Economy

Venture Capital:

- Boosts GDP and Creates Jobs
- Supports Innovation Across The Board
- Fosters Local and Regional Economic Growth




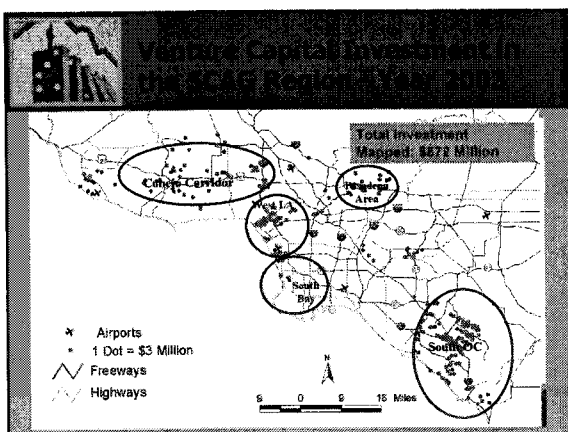



Importance of Venture Capital

VC-Backed Companies:


- Outperform Non-Venture-backed Companies
- Create Leading Edge "Industry Clusters" with High Skilled, High Wage Jobs








**VC Investment Concentration
by Area in SCAG Region**

Irvine/So. Orange Co.	
Conejo Corridor	
West Los Angeles	
Pasadena Area	
South Bay	
Inland Empire & Imperial	
SCAG Regional Total	


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**VC Investment Concentration
in Irvine/South Orange County**

- Medical Devices
- Biotechnology
- Computer Hardware
- Software


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**VC Investment Concentration
in West Los Angeles**

- Entertainment/Multimedia
- Software
- Telecommunication
- Biotechnology

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VC Investment Concentrations
in the SCAG Region

Conejo Corridor

- Biotechnology
- Telecommunication
- Software
- Computers and Peripherals

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VC Investment Concentrations
in the SCAG Region

Pasadena Area

- Networking and Equipment
- Computers and Peripherals
- Biotechnology

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VC Investment Concentrations
in the SCAG Region

South Bay

- Aerospace
- Defense
- Computer software
- Telecommunication


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Investment in the Economy

- A recent study shows that Venture capital-funded companies contributed nearly \$1.1 trillion to GDP and directly accounted for 12.5 million jobs
- Equivalent to 11% of US GDP and one out of every nine jobs.

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Importance of Venture Capital

- Impact of venture capital is extraordinary in terms of the contributions of VC-backed companies to:
 - R&D spending
 - New industry creation
 - Tax revenues, and
 - Exports

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